

New City School District Comprehensive Feasibility Study for the City of Orem

July 12, 2022



DEC Consulting Services LLC

Forecast & Assumptions

- A New District in Orem is feasible assuming the same level of services;
- Orem property values are projected to be financially sustainable;
- Forecast Assumptions:
 - Maintain current level of spending
 - Grow future expenditures based on 100-year average CPI (3.2%)
 - School direct
- Total property tax dollars collected are expected to be consistent, growing slightly each year

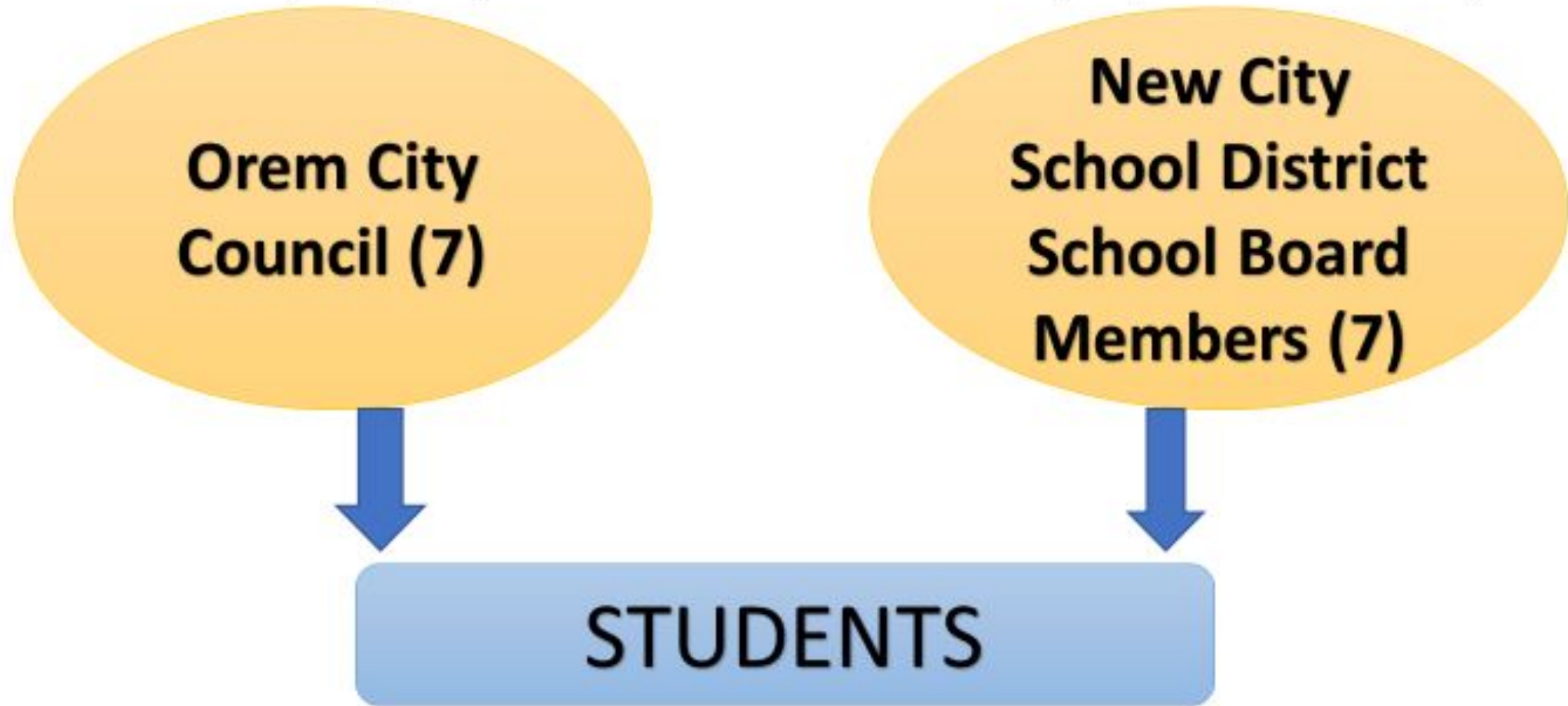
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Local Representation

- A new district will have 7 elected school board members who live in Orem and will represent local communities.
- All tax revenue will stay in Orem.
- Local representation regarding decisions within the following areas should be considered:
 - District structure and budget
 - Teacher compensation and benefits
 - Class size and student to teacher ratio
 - Capital investment (new buildings, remodels, FEMA safety, etc.)
 - Quality of education (test scores, specialty programs, etc.)

7 elected neighborhood city school board members have full responsibility of the school district. By law, city school districts are totally separate from city council.



14 elected community representatives looking after the SAFETY & WELFARE of students & children of Orem, instead of the current two.

FEMA and Building Safety

. In August 2006 *Seismic Vulnerability Assessment* found 10 schools in Orem had poor and very poor seismic issues.

. In February 2022, the State of Utah & FEMA found that 3 Orem schools identified in the 2006 Assessment remained unsafe and un-remediated (Orem Jr. High, Sharon, Windsor) plus 6 more ASD Orem schools). **9 total**

ASD Schools	Date Built	Seismic Rating	Title I School	Rank*	Date of Remediation
Sharon Elem (Title I)	1954	Very Poor	yes	34, 38	not remediated
Windsor Elem (Title I)	1956	Very Poor	yes	30,40	not remediated
Orem Jr High (Title I)	1963	Very Poor, Poor	yes	16, 25, 27, 32	2014 - only #32 (gym)
Cascade Elem	1967	Poor	no	36, 55	2020 (rebuilt)

- Data taken from *2006 Seismic Vulnerability Study* released by Alpine School District (ASD) - Page 11, Table 3.
- ASD schools were ranked in the following order: Good, Fair, Poor, Very Poor.
- *ASD schools were ranked by severity, with #1 most dangerous and # 57 least dangerous.
- “The structures rated Poor & Very Poor **were also prioritized according to the risk of loss of life** using a system of weighed structured categories”.(2006 Seismic Vulnerability Study - Executive Summary)

Property Tax Assessment Process

Estimated Budget

-Federal Revenue (per student)

-State Revenue (per student)

-Local Revenue

-Interest Income

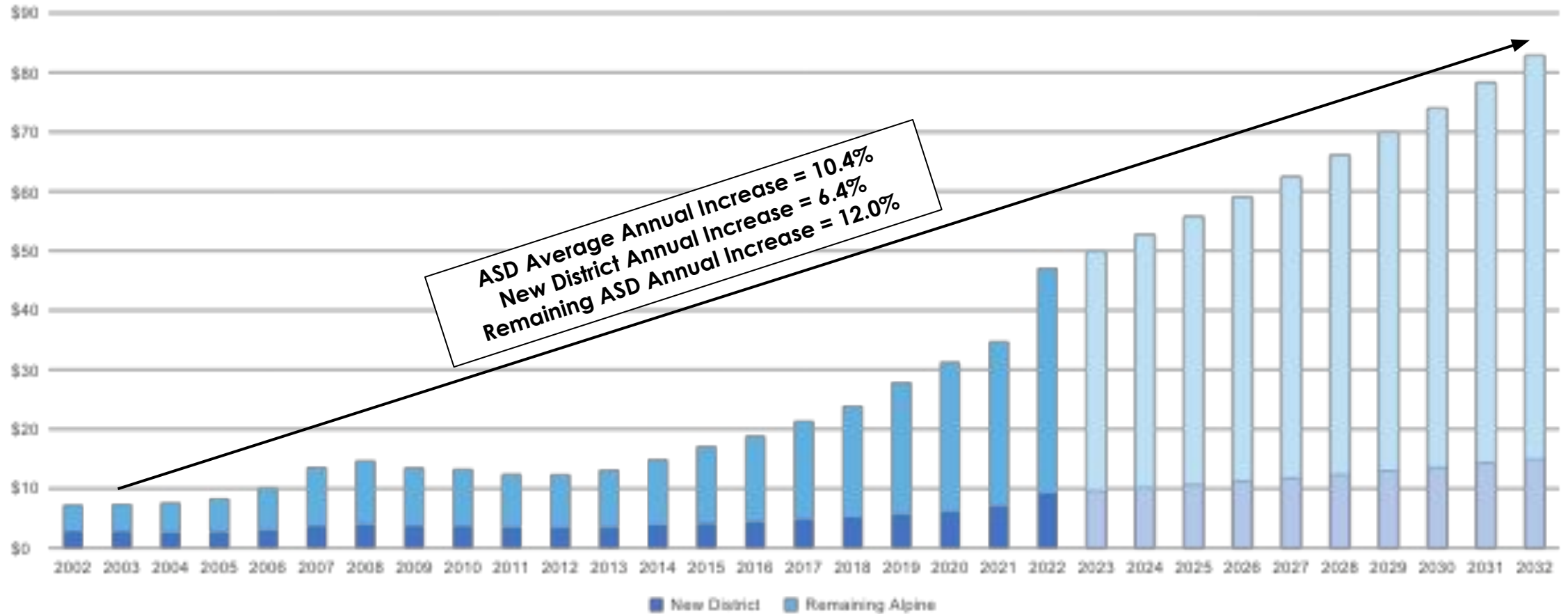
= Property Tax Requirement

Forecasted 2023 Expenditures & Revenues

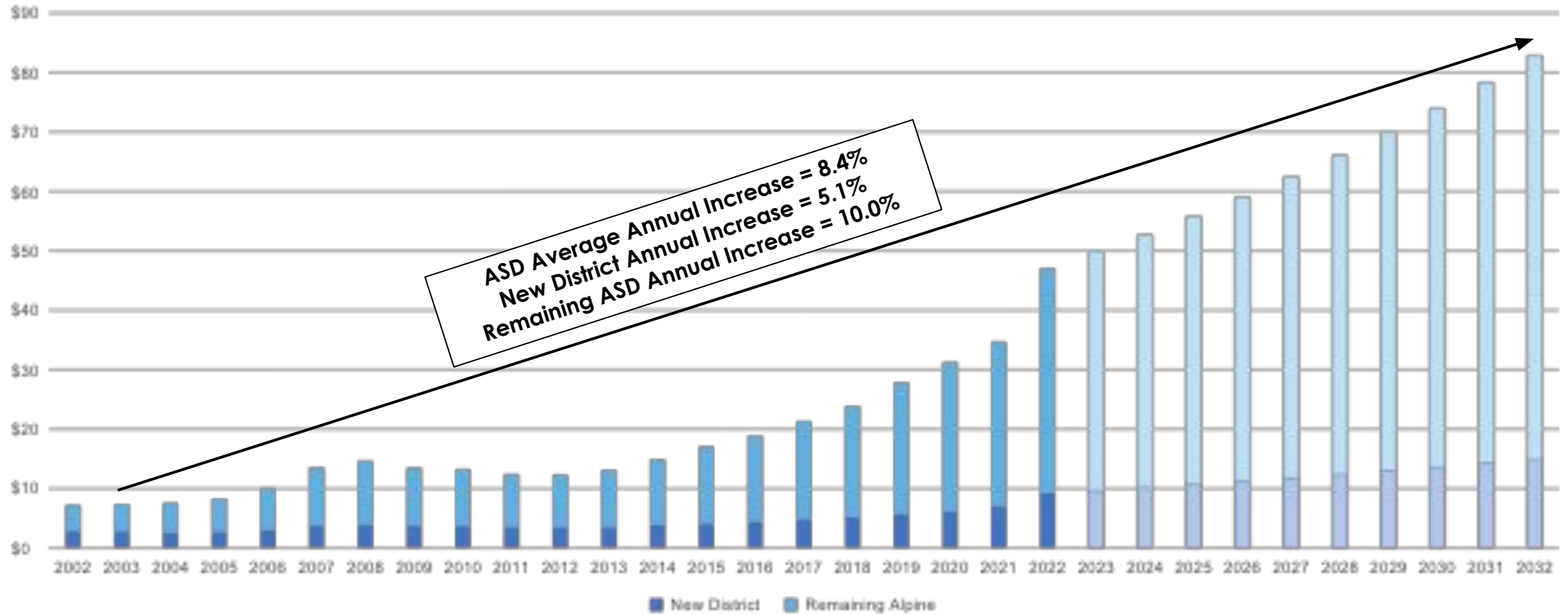
Forecasted 2023 Expenditures	
Salaries & Benefits	\$119.3M
Outside Services	1.5M
Supplies/Equip/Other	4.8M
Overhead	21.6M
Total General Fund	\$147.3M
Capital Fund	5.8M
Debt Service Fund	15.7M
Total Expenditures	\$168.8M

Forecasted 2023 Revenues	
Federal Revenues	\$15.1M
State Revenues – General	89.4M
State Revenues – Capital	1.9M
Local Revenues	2.1M
Interest Income	0.3M
<i>Property Tax – General</i>	<i>40.5M</i>
<i>Property Tax – Capital</i>	<i>3.8M</i>
<i>Property Tax – Debt Service</i>	<i>15.7M</i>
Total Property Taxes	\$62.0M
Total Revenues	\$168.8M

Property Tax Value Growth Trend



Total Property Taxes Collected Trend



New District Forecasted Revenues – General Fund



New District Overhead

- Forecasted Overhead to be \$1,485* per student in 2023
- Total Overhead budget would be \$21.6M
- Overhead expenditures would include:
 - Salaries and Benefits for Administration and Staff
 - Supplies and Maintenance Expenses
 - Outside Services Expenses

*Based on total expense and category at ASD

HISTORICAL OREM & ASD

- Alpine School District was formed in 1915 with 4,906 students, including four high schools. Historically, Orem citizens have been the primary taxpayers within ASD.
- Since ASD's early beginnings 107 years ago, Orem has had a greater property value than any of the 14 cities within ASD for 103 of the 107 years.
- **Orem has always paid for its own schools!**

ASD 2017 SLIDE (Debt Service Fund)

Source: Nov. 15, 2017, ASD Feasibility Study presented to the Orem City Council. ASD concluded in 2017 that an Orem school district was feasible

	2001 Bond	2006 Bond	2011 Bond	2016 Bond	Total
Bond Project \$ Spent in Orem	\$35,899,663	\$51,039,510	\$23,314,514	\$42,500,000	\$154,753,687
% of Bond \$	17.5%	17.2%	10.8%	11.0%	
Orem % of ASD Property Value	39.3%	29.2%	28.0%	26.0%	

- Orem generating \$15,857,999 annually for current GO Bond payments
- Property taxes in this fund can only be used for GO Bond expenses

Orem Property Tax History 2002 - 2021

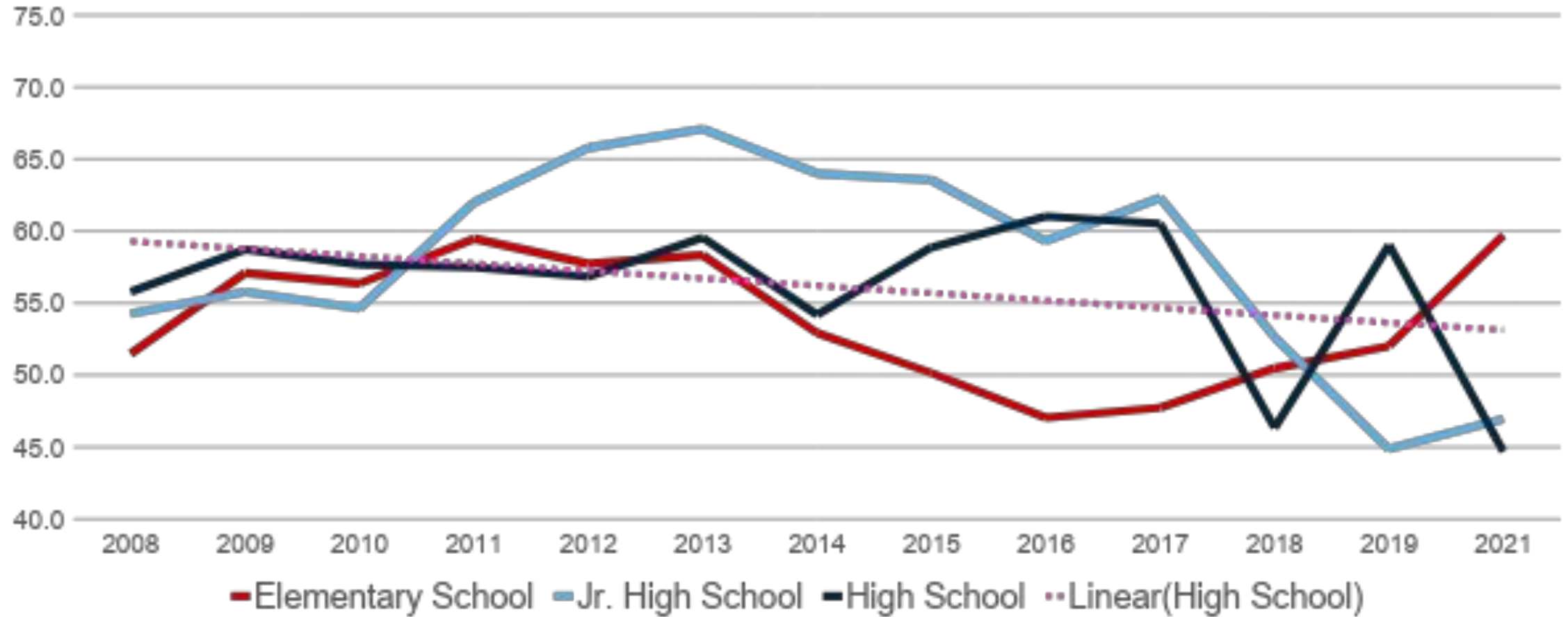
Property Taxes Paid by Orem (28% of total)	\$910M
Less: Allocations from General Fund	(\$617M)
Allocations to Capital and Debt Fund	\$293M
Less: Investment in Orem Schools (13% of total)	(\$163M)
Taxes Allocated Outside of Orem Schools	\$130M

Historical Bond Payment & Allocation

\$595M ASD Bond

- From 2002 to 2021, Orem property taxes paid for 28% (on average) of the bond payments
- The impact of a \$595M bond would be as follows:
 - Orem taxpayers would pay \$116M (19.4%)
 - Based on historical allocations, Orem receives \$79M (13.3%)
 - Orem loses \$37M

Orem Test Score Decline – 2017, 2018, 2019, 2021



Test Score Analysis

Orem high school test scores are declining compared to the state average and compared to the ASD average. Since 2017, the scores for Orem high schools have **dropped 11.2%** (47.8% to 36.6%). ASD's average **dropped 2.3%** (53.4% to 51.1%), while the Utah state average **increased 7.3%** (40.8% to 48.1%).

Orem junior/middle school test score decline since 2017 is also critical, **dropping 8.6%** (49.0% to 40.5%). ASD's middle school scores **dropped 6.8%** (53.2% to 46.4%), while the Utah state average **decreased 3.7%** (44.9% to 41.2%).

Orem elementary school scores since 2017 have **slightly increased 1.2%** (45.9% to 47.1%). ASD's elementary school average **dropped 1.9%** (53.9% to 52.0%), while the Utah state elementary average **dropped 4.5%** (48.1% to 43.5%).

Average Annual Property Tax Per \$450,000 Residence Over Ten Years

Scenario	Assumptions	ASD	New District	Remaining ASD
Baseline	No Split/No Bond	\$1,591		
1	No Split/\$595M Bond	\$1,794		
2	Split/No Bond		\$1,647	\$1,507
3	Split/\$595M ASD Bond		\$1,647	\$1,759
4	Split/\$125M + \$595M Bonds		\$1,866	\$1,759
5	Split/\$25M + \$595M Bonds		\$1,692	\$1,759
6	Split/\$25M + \$4M in Gen Fund + \$595 ASD Bond		\$1,794	\$1,759

Scenario 5: District Split + New District Bonds for \$125M.
Remaining ASD Bonds for \$595M

- New District issues a \$25M bond to address FEMA remediation (Sharon/Windsor/Orem JH)
- Remaining ASD issues a \$595M bond
- New District property taxes increase 6.5% compared to baseline
- Remaining District property taxes increase 15.9% compared to baseline
- New District retains 100% of bond proceeds

Scenario 6: District Split + New District Bonds for \$25M & adds \$4M to General Fund. Remaining ASD Bonds for \$595M

- New District issues a \$25M bond
- New District adds \$4M annually to General Fund to hire or retain teachers, purchases supplies, etc.
- Remaining ASD issues a \$595M bond
- New District & Remaining District pay equal property taxes
- New District retains 100% of \$25M bond
- Remaining District retains 100% of \$595M bond